

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Banks Township	County Antrim
Fiscal Year End 3/31/2008	Opinion Date 5/15/2008	Date Audit Report Submitted to State August 4, 2008	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- |                                     |                          |                                                                                |
|-------------------------------------|--------------------------|--------------------------------------------------------------------------------|
| YES                                 | NO                       | <b>Check each applicable box below.</b> (See instructions for further detail.) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> |                                                                                |
1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  4. ☒ ☐ The local unit has adopted a budget for all required funds.
  5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  11. ☒ ☐ The local unit is free of repeated comments from previous years.
  12. ☒ ☐ The audit opinion is UNQUALIFIED.
  13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Letter and SAS 114 Letter	
Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 W. Harris Street		City Cadillac	State MI
Authorizing CPA Signature 		Printed Name Steven C. Arends	Zip 49601
		License Number 1101013211	

**BANKS TOWNSHIP, ANTRIM COUNTY**

**ELLSWORTH, MICHIGAN**

**MARCH 31, 2008**

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

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BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

MARCH 31, 2008

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# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

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May 15, 2008

### INDEPENDENT AUDITORS' REPORT

To the Township Board  
Banks Township  
Antrim County  
Ellsworth, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Banks Township, Antrim County, Ellsworth, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Banks Township, Antrim County, Ellsworth, Michigan as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on pages 19-22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Banks Township, Antrim County, Ellsworth, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

BANKS TOWNSHIP, ANTRIM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2008

Banks Township, a general law township located in Antrim County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Banks Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2008.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$1,320,014. Of this amount, \$484,824 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$582,032, an increase of \$56,559 in comparison with the prior year. About 62.68% is available for spending at the Township's discretion.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

BANKS TOWNSHIP, ANTRIM COUNTY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2008

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$1,320,014 at March 31, 2008, meaning the Township’s assets were greater than its liabilities by this amount.

BANKS TOWNSHIP, ANTRIM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2008

**Banks Township**  
**Net Assets as of March 31, 2008**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Current Assets	\$ 602,107
Non Current Assets	
Capital Assets	1,051,081
Less: Accumulated Depreciation	<u>(313,099)</u>
Total Non Current Assets	<u>737,982</u>
<b>Total Assets</b>	<b><u><u>\$ 1,340,089</u></u></b>
<b>Liabilities</b>	
Other Liabilities	<u>\$ 20,075</u>
<b>Net Assets</b>	
Invested in Capital Assets	737,982
Restricted for Specific Purposes	97,208
Unrestricted	<u>484,824</u>
<b>Total Net Assets</b>	<b><u><u>1,320,014</u></u></b>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 1,340,089</u></u></b>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$484,824 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets both for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$124,301, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.



BANKS TOWNSHIP, ANTRIM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2008

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

**Banks Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended March 31, 2008**

	<u><b>Governmental Activities</b></u>
<u><b>Revenues</b></u>	
<b>Program Revenues</b>	
Charges for Services	\$ 72,219
Operating Grants and Contributions	4,257
<b>General Revenues</b>	
Taxes	259,081
State Grants	90,682
Investment Earnings	<u>24,932</u>
<b>Total Revenues</b>	<u>451,171</u>
<u><b>Expenses</b></u>	
Legislative	8,030
General Government	135,761
Public Safety	104,649
Public Works	23,772
Health and Welfare	17,569
Community and Economic Development	13,434
Recreation and Cultural	11,116
Other Functions	9,339
Debt Service	<u>3,200</u>
<b>Total Expenses</b>	<u>326,870</u>
Change in Net Assets	124,301
<u>NET ASSETS</u> - Beginning of Year	<u>1,195,713</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 1,320,014</u></u>

BANKS TOWNSHIP, ANTRIM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2008

**Governmental Activities**

During the fiscal year ended March 31, 2008, the Township's net assets increased by \$124,301 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Banks Township comes from property taxes. The Township levied a millage for street maintenance and fire protection, in addition to the operating millages, this fiscal year. The Township levied 0.9297 mills for operating purposes, 0.9897 mills for road maintenance, and 0.9000 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation. In 2008, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by General Government expenses that total 41.53% of total expenses. The Township spent \$135,761 in fiscal year 2008 on General Government expenses. Public Safety represented the next largest expense at \$104,649, or 32.02% of total expenses.

**Business-Type Activities**

The Township does not maintain any Business-Type Activities.

**Financial Analysis of the Government's Funds**

***Governmental Funds*** The focus of Banks Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Banks Township's governmental funds reported combined ending fund balances of \$582,032. Approximately 62.68% of this total amount (\$364,824) constitutes unreserved fund balance. The remainder of the fund balance is reserved or designated for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

**General Fund** – The General Fund increased its fund balance by \$33,713 which brings the fund balance to \$484,824. Of the General Fund's fund balance, \$364,824 is unreserved and \$120,000 is reserved for

BANKS TOWNSHIP, ANTRIM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2008

Advances to Other Funds. All of the General Fund's functions ended the year with expenditures below budgeted amounts. State shared revenues were collected in the amount of \$90,682.

**Municipal Street Fund** – The Municipal Street Fund decreased its fund balance by (\$25,919) which brings the fund balance to \$67,103. This balance is reserved and must be used for road improvements.

The Township levied a road millage on the 2007 tax roll. This resulted in \$82,807 in tax related revenues during the current fiscal year.

**Fire Fund** – The Fire Fund increased its fund balance by \$49,045 which brings the fund balance to \$28,842.

The Township levied a fire millage on the 2007 tax roll. This resulted in \$73,394 in tax related revenues during the current fiscal year.

**Liquor Law Enforcement Fund** – The Liquor Law Enforcement Fund decreased its fund balance by (\$280) which brings the fund balance to \$1,263. This balance is reserved and must be used for liquor law enforcement.

**Proprietary Fund** The Township does not maintain any proprietary funds.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental activities as of March 31, 2008, amounted to \$737,982 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$10,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Banks Township**  
**Capital Assets as of March 31, 2008**

	<b>Governmental Activities</b>
Buildings and Building Improvements	\$ 275,804
Equipment and Vehicles	654,170
Infrastructure	121,107
	<hr/> 1,051,081
Less Accumulated Depreciation	<hr/> (313,099)
<b>Net Capital Assets</b>	<hr/> <b>\$ 737,982</b> <hr/>

BANKS TOWNSHIP, ANTRIM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2008

Major capital asset events during the current fiscal year included:

- Grading and gravel projects were completed on Slough Rd, Rubingh Rd, Mitchell Rd, Lore Rd, Church Rd, and Bergsma Rd at a cost of \$46,119.
- Paving and improvements were completed on Tyrell Beach Rd at a cost of \$21,653.
- An improvement project on Crawford Rd was completed jointly with Central Lake Township at a cost of \$37,748.

**Long-Term Debt.** At the end of the current fiscal year, the Township did not have any long-term debt outstanding.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2008-09 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Banks Township at P.O. Box 68, Ellsworth, Michigan 49729.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 62,000
Investments	499,135
Receivables	
Taxes	19,461
External Parties (Fiduciary Funds)	344
Due from Other Governments	<u>21,167</u>
Total Current Assets	<u>602,107</u>
 <u>CAPITAL ASSETS</u>	
Buildings and Building Improvements	275,804
Equipment and Vehicles	654,170
Infrastructure	<u>121,107</u>
	1,051,081
Less Accumulated Depreciation	<u>313,099</u>
Net Capital Assets	<u>737,982</u>
 TOTAL ASSETS	 <u><u>\$ 1,340,089</u></u>
 <u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	<u>\$ 20,075</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets	737,982
Restricted for Road Improvements	67,103
Restricted for Fire Protection	28,842
Restricted for Liquor Law Enforcement	1,263
Unrestricted	<u>484,824</u>
 TOTAL NET ASSETS	 <u><u>\$ 1,320,014</u></u>

The accompanying notes are an integral part of the financial statements.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL
					GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
Legislative	\$ 8,030	\$ 0	\$ 0	\$ 0	\$ (8,030)
General Government	135,761	64,244	0	0	(71,517)
Public Safety	104,649	3,800	1,100	0	(99,749)
Public Works	23,772	900	3,157	0	(19,715)
Health and Welfare	17,569	0	0	0	(17,569)
Community and Economic Development	13,434	3,275	0	0	(10,159)
Recreation and Cultural	11,116	0	0	0	(11,116)
Other Functions	9,339	0	0	0	(9,339)
Debt Service	3,200	0	0	0	(3,200)
Total Governmental Activities	\$ 326,870	\$ 72,219	\$ 4,257	\$ 0	(250,394)
GENERAL REVENUES					
					259,081
					90,682
					24,932
					374,695
Change in Net Assets					124,301
NET ASSETS - Beginning of Year					1,195,713
NET ASSETS - End of Year					\$ 1,320,014

The accompanying notes are an integral part of the financial statements.

BANKS TOWNSHIP, ANTRIM COUNTY

ELLSWORTH, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2008

	GENERAL FUND	MUNICIPAL STREET FUND	FIRE FUND	LIQUOR LAW ENFORCEMENT FUND	TOTALS
<u>ASSETS</u>					
Cash	\$ 62,000	\$ 0	\$ 0	\$ 0	\$ 62,000
Investments	275,348	79,101	143,423	1,263	499,135
Taxes Receivable	6,459	6,876	6,126	0	19,461
Due from Other Governments	21,167	0	0	0	21,167
Due from Other Funds	344	0	0	0	344
Advances to Other Funds	120,000	0	0	0	120,000
Total Assets	<u>\$ 485,318</u>	<u>\$ 85,977</u>	<u>\$ 149,549</u>	<u>\$ 1,263</u>	<u>\$ 722,107</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 494	\$ 18,874	\$ 707	\$ 0	\$ 20,075
Advances from Other Funds	0	0	120,000	0	120,000
Total Liabilities	<u>494</u>	<u>18,874</u>	<u>120,707</u>	<u>0</u>	<u>140,075</u>
<u>FUND BALANCE</u>					
Reserved for:					
Road Improvements	0	67,103	0	0	67,103
Fire Protection	0	0	28,842	0	28,842
Liquor Law Enforcement	0	0	0	1,263	1,263
Advances to Other Funds	120,000	0	0	0	120,000
Unreserved					
Undesignated	364,824	0	0	0	364,824
Total Fund Balance	<u>484,824</u>	<u>67,103</u>	<u>28,842</u>	<u>1,263</u>	<u>582,032</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 485,318</u>	<u>\$ 85,977</u>	<u>\$ 149,549</u>	<u>\$ 1,263</u>	<u>\$ 722,107</u>

The accompanying notes are an integral part of the financial statements.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2008

Total Fund Balances for Governmental Funds	\$	582,032
--------------------------------------------	----	---------

Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Buildings and Building Improvements	\$	275,804	
Equipment and Vehicles		654,170	
Infrastructure		121,107	
Accumulated Depreciation		<u>(313,099)</u>	<u>737,982</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>1,320,014</u></u>
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The accompanying notes are an integral part of the financial statements.



BANKS TOWNSHIP, ANTRIM COUNTY

ELLSWORTH, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2008

	GENERAL FUND	MUNICIPAL STREET FUND	FIRE FUND	LIQUOR LAW ENFORCEMENT FUND	TOTALS
<u>REVENUES</u>					
Taxes	\$ 107,918	\$ 82,807	\$ 73,394	\$ 0	\$ 264,119
State Grants	90,682	3,157	0	1,100	94,939
Charges for Services	7,585	0	1,700	0	9,285
Interest and Rents	75,176	1,670	5,912	70	82,828
Total Revenues	281,361	87,634	81,006	1,170	451,171
<u>EXPENDITURES</u>					
Legislative	8,030	0	0	0	8,030
General Government	131,637	0	0	0	131,637
Public Safety	75	0	71,961	1,450	73,486
Public Works	13,248	113,520	0	0	126,768
Health and Welfare	17,569	0	0	0	17,569
Community and Economic Development	13,434	0	0	0	13,434
Recreation and Cultural	11,116	0	0	0	11,116
Other Functions	9,339	33	0	0	9,372
Debt Service	0	0	3,200	0	3,200
Total Expenditures	204,448	113,553	75,161	1,450	394,612
Excess (Deficiency) of Revenues Over Expenditures	76,913	(25,919)	5,845	(280)	56,559
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	0	0	43,200	0	43,200
Transfers Out	(43,200)	0	0	0	(43,200)
Total Other Financing Sources (Uses)	(43,200)	0	43,200	0	0
Net Change in Fund Balance	33,713	(25,919)	49,045	(280)	56,559
<u>FUND BALANCE - (DEFICIT) -</u>					
Beginning of Year	451,111	93,022	(20,203)	1,543	525,473
<u>FUND BALANCE - End of Year</u>	<u>\$ 484,824</u>	<u>\$ 67,103</u>	<u>\$ 28,842</u>	<u>\$ 1,263</u>	<u>\$ 582,032</u>

The accompanying notes are an integral part of the financial statements.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2008

Net change in Fund Balance - Total Governmental Funds	\$ 56,559
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(37,778)
Capital Outlay	<u>105,520</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 124,301</u></u>

The accompanying notes are an integral part of the financial statements.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
MARCH 31, 2008

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 1,559
	<hr/>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 344
Due to Other Governments	<hr/> 1,215
	<hr/>
TOTAL LIABILITIES	\$ 1,559
	<hr/>

The accompanying notes are an integral part of the financial statements.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Banks Township is a general law township located in Antrim County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Banks Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Municipal Street Fund* accounts for revenue sources that are legally restricted to expenditures for road maintenance.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Liquor Enforcement Fund* accounts for revenue sources that are legally restricted to expenditures for liquor law enforcement.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

Additionally Banks Township reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The investment policy adopted by the Township states that the treasurer may invest Township funds in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meets all criteria as a depository of public funds contained in state law.

***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and two-thirds of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2007 taxable valuation of Banks Township totaled \$83,695,293, on which ad valorem taxes levied consisted of 0.9297 mills for Banks Township operating purposes and 0.9897 mills for Banks Township road improvements. These levies raised \$77,786 for operating purposes, \$82,807 for road improvements. In addition, the Township levied 0.9000 mills on real property valuation of \$81,569,693 raising \$73,394 for fire protection.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Land improvements	20
Building	20-50
Building improvements	20-30
Public domain infrastructure	20-50
Vehicles	10
Equipment	5-20

Banks Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township began to capitalize and depreciate infrastructure April 1, 2004, in accordance with the Township's capitalization policy.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**5. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. *Budgetary Information***

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 26, 2007, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.



BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**B. Funds with Expenditures in Excess of Appropriations were as follows:**

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
Municipal Street Fund	\$ 101,907	\$ 113,553

These overages were funded by greater than anticipated revenues and available fund balance.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are on deposit with Charlevoix State Bank in Charlevoix, Michigan and MBIA Asset Management in Armonk, NY.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2008, \$509,784 of the government's bank balance of \$571,785 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. All of the Township's investments are classified as category 1.

As of March 31, 2008, the Township held the following investments:

	CARRYING AMOUNT	FAIR VALUE
Investments – Primary Government		
Money Market	\$ 246,675	\$ 246,675
MBIA Asset Management	254,019	254,019
	<u>\$ 500,694</u>	<u>\$ 500,694</u>

A reconciliation of cash and investments follows:

	PRIMARY GOVERNMENT
Carrying amount of Deposits	\$ 62,000
Carrying amount of Investments	<u>500,694</u>
Total	<u>\$ 562,694</u>
Government-wide Statement of Net Assets	
Cash	\$ 62,000
Investments	499,135
Statement of Fiduciary Assets and Liabilities	
Cash	<u>1,559</u>
Total	<u>\$ 562,694</u>

**B. Receivables**

Receivables as of year end for the government's individual major funds are as follows:

	General	Municipal Street	Fire	Total
Receivables				
Taxes	\$ 6,459	\$ 6,876	\$ 6,126	\$ 19,461
Due from Other Governments	21,167	0	0	21,167

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

**C. Capital Assets**

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, being depreciated				
Buildings and Building Improvements	\$ 275,804	\$ 0	\$ 0	\$ 275,804
Equipment and Vehicles	654,170	0	0	654,170
Infrastructure	15,587	105,520	0	121,107
	<hr/>			
Total capital assets, being depreciated	945,561	105,520	0	1,051,081
	<hr/>			
Less accumulated depreciation for:				
Buildings and Building Improvements	121,433	7,948	0	129,381
Equipment and Vehicles	153,693	27,339	0	181,032
Infrastructure	195	2,491	0	2,686
	<hr/>			
Total accumulated depreciation	275,321	37,778	0	313,099
	<hr/>			
Governmental activities capital assets, net	\$670,240	\$ 67,742	\$ 0	\$ 737,982
	<hr/> <hr/>			

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 4,124
Public Safety	31,163
Public Works	2,491
	<hr/>
	\$ 37,778
	<hr/> <hr/>

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2008.

**D. Interfund Receivables, Payables and Transfers**

The Township had no individual fund interfund receivable and payable balances at March 31, 2008.

Interfund Transfers as of March 31, 2008, were:

	TRANSFERS	
	IN	OUT
Primary Government		
General Fund	\$ 0	\$ 43,200
Fire Fund	43,200	0
	<u>\$ 43,200</u>	<u>\$ 43,200</u>

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended March 31, 2008, the general fund made a transfer to the Fire Fund to be used for fire protection.

**E. Leases**

The Township has entered into an income lease agreement with Noverr Publishing, Inc. dated December, 1997 to lease 4800 square feet of land in which a communications tower and antenna array was constructed. The initial lease was a period of five years with the option to extend the lease for three additional five year periods. The Township has entered the second extension period. The lease was purchased by American Tower Corporation. The minimum rental payments to be received for the next five years are as follows:

<u>Year Ended March 31,</u>	<u>Amount</u>
2009	\$ 33,984
2010	33,984
2011	33,984
2012	33,984
2013	<u>33,984</u>
	<u>\$ 169,920</u>

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**F. Long-Term Debt**

The Township was not obligated for any long-term debt as of March 31, 2008.

**G. Advances to/from Other Funds**

Advances to/from Other Funds at March 31, 2008, consisted of the following:

Advance

\$200,000 owed by the Fire fund to the General fund due  
in annual installments of \$40,000 through March 31, 2011,  
interest at 2.0% compounded annually. \$ 120,000

The annual requirements to amortize advance outstanding as of March 31, 2008, are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2009	\$ 40,000	\$ 2,400	\$ 42,400
2010	40,000	1,600	41,600
2011	40,000	800	40,800
	<u>\$ 120,000</u>	<u>\$ 4,800</u>	<u>\$ 124,800</u>

**H. Fund Balance Reserves**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

General Fund

Advances to Other Funds \$ 120,000

Special Revenue Funds

Municipal Street Fund

Road Improvements 67,103

Fire Fund

Fire Protection 28,842

Liquor Law Enforcement Fund

Liquor Law Enforcement 1,263

**TOTAL FUND BALANCE/NET ASSETS RESERVES** \$ 217,208

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Property Tax Administration Fee**

The township passed a resolution on September 19, 1983, to charge 1% administration fee on all ad valorem taxes levied after this date. Also, a late penalty fee of 3% shall be added after February 14th and shall terminate on the last day of February. The resolution is to continue in force and effect until revoked by the Township Board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenues generated by the administration fee so that a restricted earnings account is not reflected in these statements.

**C. Due from Other Governments**

Amount due from other governments consists of \$21,167 in state-shared revenues.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2008

	<u>GENERAL FUND</u>			<u>MUNICIPAL STREET FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>						
Taxes	\$104,411	\$103,453	\$107,918	\$81,275	\$81,275	\$82,807
State Grants	91,150	91,150	90,682	3,000	3,000	3,157
Charges for Services	7,900	5,380	7,585	0	0	0
Interest and Rents	52,700	52,700	75,176	500	500	1,670
Other Revenues	250	250	0	0	0	0
Total Revenues	256,411	252,933	281,361	84,775	84,775	87,634
<u>EXPENDITURES</u>						
Legislative						
Township Board	8,000	8,520	8,030	0	0	0
General Government						
Supervisor	12,000	12,000	10,497	0	0	0
Election	3,500	3,500	3,101	0	0	0
Attorney	6,000	6,000	2,946	0	0	0
Clerk	20,500	20,500	19,724	0	0	0
Assessor	19,700	19,700	19,405	0	0	0
Board of Review	1,300	1,300	849	0	0	0
Treasurer	19,700	19,700	17,608	0	0	0
Data Processing	3,000	3,066	3,065	0	0	0
Computer Hardware and Software	4,000	4,000	2,535	0	0	0
Web Site and Internet	2,100	2,100	1,290	0	0	0
Building and Grounds	35,000	35,062	34,866	0	0	0
Bank Building	800	1,670	1,635	0	0	0
Cemetery	25,000	25,000	14,116	0	0	0
Public Safety						
Fire Department	250	250	75	0	0	0
Public Works						
Street Maintenance	0	0	0	101,750	101,907	113,520
Street Lighting	2,100	2,300	2,295	0	0	0
Cleanup Day	12,000	12,000	10,153	0	0	0
Recycle and Waste	1,000	1,000	800	0	0	0
Health and Welfare						
Ambulance	4,800	4,800	4,800	0	0	0
Rescue Department	16,250	16,250	12,769	0	0	0
Community and Economic Development						
Planning and Zoning	13,000	13,000	12,624	0	0	0
Community Promotion	0	0	810	0	0	0

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2008

	<u>GENERAL FUND</u>			<u>MUNICIPAL STREET FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Recreation and Cultural						
Recreation and Parks	8,000	8,000	6,556	0	0	0
Library	4,000	4,560	4,560	0	0	0
Other Functions						
Insurance and Bonds	5,200	5,200	3,371	0	0	0
Employee Benefits	6,500	6,500	5,354	0	0	0
Tax Tribunal Adjustments	250	250	112	0	0	33
Miscellaneous	19,261	19,261	502	0	0	0
Total Expenditures	253,211	255,489	204,448	101,750	101,907	113,553
Excess (Deficiency) of Revenues over Expenditures	3,200	(2,556)	76,913	(16,975)	(17,132)	(25,919)
<u>OTHER FINANCING SOURCES (USES)</u>						
Principal Payment of Advance to Fire Fund	40,000	40,000	0	0	0	0
Transfers (Out) In	(43,200)	(43,200)	(43,200)	0	0	0
Total Other Financing Sources (Uses)	(3,200)	(3,200)	(43,200)	0	0	0
Net Change in Fund Balance	0	(5,756)	33,713	(16,975)	(17,132)	(25,919)
<u>FUND BALANCE</u> - Beginning of Year	262,315	262,315	451,111	86,156	86,156	93,022
<u>FUND BALANCE</u> - End of Year	\$262,315	\$256,559	\$484,824	\$69,181	\$69,024	\$67,103



BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2008

	<u>FIRE FUND</u>			<u>LIQUOR LAW ENFORCEMENT FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>						
Taxes	\$ 73,428	\$ 73,254	\$ 73,394	\$ 0	\$ 0	\$ 0
State Grants	0	0	0	1,100	1,100	1,100
Charges for Services	1,700	1,700	1,700	0	0	0
Interest and Rents	4,000	4,000	5,912	50	50	70
Total Revenues	79,128	78,954	81,006	1,150	1,150	1,170
<u>EXPENDITURES</u>						
Legislative						
Township Board	0	0	0	0	0	0
General Government						
Supervisor						
Election	0	0	0	0	0	0
Attorney	0	0	0	0	0	0
Clerk	0	0	0	0	0	0
Assessor	0	0	0	0	0	0
Board of Review	0	0	0	0	0	0
Treasurer	0	0	0	0	0	0
Data Processing	0	0	0	0	0	0
Building and Grounds	0	0	0	0	0	0
Cemetery	0	0	0	0	0	0
Public Safety						
Fire Department	84,839	87,965	71,961	0	0	0
Liquor Law Enforcement	0	0	0	1,425	1,450	1,450
Public Works						
Street Lighting	0	0	0	0	0	0
Cleanup Day	0	0	0	0	0	0
Recycle and Waste	0	0	0	0	0	0
Health and Welfare						
Ambulance	0	0	0	0	0	0
Rescue Department	0	0	0	0	0	0
Community and Economic Development						
Planning and Zoning	0	0	0	0	0	0
Recreation and Cultural						
Recreation and Parks	0	0	0	0	0	0
Library	0	0	0	0	0	0

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2008

	<u>FIRE FUND</u>			<u>LIQUOR LAW ENFORCEMENT FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Other Functions						
Insurance and Bonds	0	0	0	0	0	0
Employee Benefits	0	0	0	0	0	0
Refunds and Rebates	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Debt Service						
Principal	40,000	40,000	0	0	0	0
Interest	3,200	3,200	3,200	0	0	0
Total Expenditures	128,039	131,165	75,161	1,425	1,450	1,450
Excess (Deficiency) of Revenues over Expenditures	(48,911)	(52,211)	5,845	(275)	(300)	(280)
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers (Out) In	43,200	43,200	43,200	0	0	0
Net Change in Fund Balance	(5,711)	(9,011)	49,045	(275)	(300)	(280)
<u>FUND BALANCE</u> - Beginning of Year	133,833	133,833	(20,203)	1,534	1,534	1,543
<u>FUND BALANCE</u> - End of Year	\$128,122	\$124,822	\$ 28,842	\$ 1,259	\$ 1,234	\$ 1,263

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

GENERAL FUND

BALANCE SHEET  
MARCH 31, 2008

ASSETS

Cash	\$ 62,000
Investments	275,348
Taxes Receivable	6,459
Due from Other Governments	21,167
Due from Other Funds	344
Advances to Other Funds	<u>120,000</u>
 TOTAL ASSETS	 <u><u>\$ 485,318</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	<u>\$ 494</u>
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FUND BALANCE

Reserved for Advances	120,000
Unreserved	<u>364,824</u>

Total Fund Balance	<u>484,824</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 485,318</u></u>
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BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2008

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 104,411	\$ 103,453	\$ 107,918
State Grants	91,150	91,150	90,682
Charges for Services	7,900	5,380	7,585
Interest and Rents	52,700	52,700	75,176
Other Revenues	250	250	0
Total Revenues	256,411	252,933	281,361
<u>EXPENDITURES</u>			
Legislative			
Township Board	8,000	8,520	8,030
General Government			
Supervisor	12,000	12,000	10,497
Election	3,500	3,500	3,101
Attorney	6,000	6,000	2,946
Clerk	20,500	20,500	19,724
Assessor	19,700	19,700	19,405
Board of Review	1,300	1,300	849
Treasurer	19,700	19,700	17,608
Data Processing	3,000	3,066	3,065
Computer Hardware and Software	4,000	4,000	2,535
Web Site and Internet	2,100	2,100	1,290
Building and Grounds	35,000	35,062	34,866
Bank Building	800	1,670	1,635
Cemetery	25,000	25,000	14,116
Public Safety			
Fire Department	250	250	75
Public Works			
Street Lighting	2,100	2,300	2,295
Cleanup Day	12,000	12,000	10,153
Recycle and Waste	1,000	1,000	800

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2008

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
Health and Welfare			
Ambulance	4,800	4,800	4,800
Rescue Department	16,250	16,250	12,769
Community and Economic Development			
Planning and Zoning	13,000	13,000	12,624
Community Promotion	0	0	810
Recreation and Cultural			
Recreation and Parks	8,000	8,000	6,556
Library	4,000	4,560	4,560
Other Functions			
Insurance and Bonds	5,200	5,200	3,371
Employee Benefits	6,500	6,500	5,354
Tax Tribunal Adjustments	250	250	112
Miscellaneous	19,261	19,261	502
Total Expenditures	253,211	255,489	204,448
Excess (Deficiency) of Revenues Over Expenditures	3,200	(2,556)	76,913
<u>OTHER FINANCING SOURCES (USES)</u>			
Principal Payment on Advance to Fire Fund	40,000	40,000	0
Transfers Out	(43,200)	(43,200)	(43,200)
Total Other Financing Sources (Uses)	(3,200)	(3,200)	(43,200)
Net Change in Fund Balance	0	(5,756)	33,713
<u>FUND BALANCE</u> - Beginning of Year	262,315	262,315	451,111
<u>FUND BALANCE</u> - End of Year	\$ 262,315	\$ 256,559	\$ 484,824

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

MUNICIPAL STREET FUND

BALANCE SHEET  
MARCH 31, 2008

ASSETS

Investments	\$ 79,101
Taxes Receivable	<u>6,876</u>
TOTAL ASSETS	<u>\$ 85,977</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 18,874
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FUND BALANCE

Reserved for Road Improvements	<u>67,103</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 85,977</u>
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BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

MUNICIPAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2008

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 81,275	\$ 81,275	\$ 82,807
State Grants	3,000	3,000	3,157
Interest and Rents	500	500	1,670
Total Revenues	84,775	84,775	87,634
<u>EXPENDITURES</u>			
Public Works			
Road Maintenance	8,000	8,000	8,000
Capital Outlay	93,750	93,874	105,520
Other Functions			
Taxes Abated	0	33	33
Total Expenditures	101,750	101,907	113,553
Excess (Deficiency) of Revenues Over Expenditures	(16,975)	(17,132)	(25,919)
<u>FUND BALANCE</u> - Beginning of Year	86,156	86,156	93,022
<u>FUND BALANCE</u> - End of Year	\$ 69,181	\$ 69,024	\$ 67,103

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

FIRE FUND

BALANCE SHEET  
MARCH 31, 2008

ASSETS

Investments	\$ 143,423
Taxes Receivable	<u>6,126</u>
 TOTAL ASSETS	 <u><u>\$ 149,549</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 707
Advance from Other Funds	<u>120,000</u>
 Total Liabilities	 120,707

FUND BALANCE

Reserved for Fire Protection	<u>28,842</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 149,549</u></u>



BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2008

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 73,428	\$ 73,254	\$ 73,394
Charges for Services	1,700	1,700	1,700
Interest and Rents	4,000	4,000	5,912
Total Revenues	79,128	78,954	81,006
<u>EXPENDITURES</u>			
Public Safety			
Fire Department			
Personal Services			
Training	5,000	5,000	3,752
Officers Compensation	6,200	6,200	6,200
Meeting Reimbursement	9,000	9,000	8,100
Supplies			
Gasoline	1,800	1,800	1,872
Other Supplies and Equipment	17,000	17,845	17,523
Other Services and Charges			
Insurance			
Property and Liability	18,000	18,000	10,984
Workers Compensation	1,500	1,500	800
Death and Disability	1,000	1,000	976
Repairs	7,500	7,500	5,638
Telephone	450	520	520
Building Maintenance and Utilities	7,500	8,990	8,913
Travel and Expense	8,000	8,000	4,734
Training Tuition and Materials	500	500	0
Miscellaneous	1,189	1,910	1,910
Tax Tribunal Adjustments	200	200	39

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2008

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
Debt Service			
Interest	43,200	43,200	3,200
Total Expenditures	128,039	131,165	75,161
Excess (Deficiency) of Revenues Over Expenditures	(48,911)	(52,211)	5,845
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	43,200	43,200	43,200
Net Change in Fund Balance	(5,711)	(9,011)	49,045
<u>FUND BALANCE</u> - (DEFICIT) - Beginning of Year	133,833	133,833	(20,203)
<u>FUND BALANCE</u> - End of Year	<u>\$ 128,122</u>	<u>\$ 124,822</u>	<u>\$ 28,842</u>

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

LIQUOR LAW ENFORCEMENT FUND

BALANCE SHEET  
MARCH 31, 2008

ASSETS

Investments	\$ 1,263
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LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
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FUND BALANCE

Reserved for Liquor Law Enforcement	1,263
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TOTAL LIABILITIES AND FUND BALANCE	\$ 1,263
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BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

LIQUOR LAW ENFORCEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2008

	<u>BUDGET</u>		
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
State Grants			
State Shared Revenue			
Liquor License Fees	\$ 1,100	\$ 1,100	\$ 1,100
Interest and Rents			
Interest	50	50	70
Total Revenues	1,150	1,150	1,170
<u>EXPENDITURES</u>			
Public Safety			
Liquor Law Enforcement			
Inspector Fees	925	950	950
Administration Fees	500	500	500
Total Expenditures	1,425	1,450	1,450
Excess (Deficiency) of Revenues			
Over Expenditures	(275)	(300)	(280)
<u>FUND BALANCE</u> - Beginning of Year	1,534	1,534	1,543
<u>FUND BALANCE</u> - End of Year	\$ 1,259	\$ 1,234	\$ 1,263

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED MARCH 31, 2008

	BALANCE			BALANCE
	4/1/2007	ADDITIONS	DEDUCTIONS	3/31/2008
<hr/>				
<u>ASSETS</u>				
Cash	\$ 224	\$ 2,291,072	\$ 2,289,737	\$ 1,559
<hr/>				
<u>LIABILITIES</u>				
Due to Other Funds	\$ 224	\$ 265,896	\$ 265,776	\$ 344
Due to Other Organizations and Individuals	0	3,914	3,914	0
Due to Other Governments	0	2,021,262	2,020,047	1,215
<hr/>				
TOTAL LIABILITIES	\$ 224	\$ 2,291,072	\$ 2,289,737	\$ 1,559
<hr/>				

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

STATEMENT OF 2007 SUMMER PROPERTY TAX ROLL  
MARCH 31, 2008

TAXES ASSESSED

County	\$ 429,707	
County - State Education Tax	<u>502,066</u>	931,773

TAXES COLLECTED

County	413,722	
County - State Education Tax	<u>483,389</u>	<u>897,111</u>

TAXES RETURNED DELINQUENT

County	15,985	
County - State Education Tax	<u>18,677</u>	<u>\$ 34,662</u>

BANKS TOWNSHIP, ANTRIM COUNTY

ELLSWORTH, MICHIGAN

STATEMENT OF 2007 WINTER PROPERTY TAX ROLL

MARCH 31, 2008

TAXES ASSESSED

County	\$	98,748	
Township			
Operating		77,786	
Roads		82,807	
Fire		73,394	
Schools			
Central Lake Public Schools		2,676	
Charlevoix Public Schools		81,891	
Ellsworth Community School		808,874	
Intermediate School		229,218	
District Library			
Central Lake		189	
Charlevoix		11,824	1,467,407

TAXES COLLECTED

County	90,547		
Township			
Operating	71,327		
Roads	75,931		
Fire	67,267		
Schools			
Central Lake Public Schools	1,892		
Charlevoix Public Schools	80,216		
Ellsworth Community School	726,516		
Intermediate School	210,184		
District Library			
Central Lake	148		
Charlevoix	11,154	1,335,182	

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN  
STATEMENT OF 2007 WINTER PROPERTY TAX ROLL  
MARCH 31, 2008

TAXES RETURNED DELINQUENT

County	8,201	
Township		
Operating	6,459	
Roads	6,876	
Fire	6,127	
Schools		
Central Lake Public Schools	784	
Charlevoix Public Schools	1,675	
Ellsworth Community School	82,358	
Intermediate School	19,034	
District Library		
Central Lake	41	
Charlevoix	670	\$ 132,225



# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

[www.bcbcpa.com](http://www.bcbcpa.com)

May 15, 2008

To the Township Board  
Banks Township  
Antrim County  
Ellsworth, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Banks Township, Antrim County, Ellsworth, Michigan as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Banks Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

## 1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

## 2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described above are material weaknesses.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
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May 15, 2008

### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Township Board  
Banks Township  
Antrim County  
Ellsworth, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Banks Township for the year ended March 31, 2008, and have issued our report thereon dated May 15, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 31, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Banks Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 15, 2008.

### *Other Audit Findings or Issues*

During the course of our audit of the basic financial statements of Banks Township for the year ended March 31, 2008, we noted the following list of items which we feel deserve comment:

#### Budgeting

Except for not budgeting for the second half of the Crawford Road project completed jointly with Central Lake Township, the Township is doing an excellent job of complying with Act 621 of the Public Acts of 1978, The Uniform Budgeting and Accounting Act.

#### General Recordkeeping

The accounting records being maintained for the year ended March 31, 2008, were found to be in good order and in compliance with the State's uniform accounting system. We commend the clerk and treasurer for their fine effort.

#### Internal Control

We noted that the board approved a policy on July 17, 2006 to have a board member review each invoice and initial the invoice prior to the preparation of checks by the clerk

and approval by the Township board. We were not able to observe that this policy has been implemented. We recommend that the board implement this approved policy.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*